

## INTERNATIONAL COOPERATION FOR AGRICULTURAL AND RURAL DEVELOPMENT AMONG DEVELOPING COUNTRIES\*

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### I. Introduction

Over two-thirds of the world population lives in the under-developed regions where freedom from hunger and poverty has been the prime goal to attain for the majority of the population. Most of the poor in these regions reside in the rural areas and make their living by husbandry.

As a matter of fact, mankind has never before had such abundant technological and financial means to cope with hunger and poverty on the earth. Nevertheless, the alarming disparity in living conditions between the rich and the poor nations tends to be widened, and hunger has still prevailed very seriously in some countries in the South. For example, UNICEF once estimated that in 1978 alone more than 12 million children under the age of five died of hunger. Because of the general belief held by the people that western-type industrialization was the only way to escape from poverty, most developing countries (LDCs) have given a top priority to industrial and urban development without due attention to their rural sectors. As a result, a massive outmigration has taken place followed the by concomitant transfer of capital from the rural to urban sector in those countries. As far as this process was smooth in terms of absorbing a redundant labor force in rural areas by productive new industries, the agricultural sector could have a chance for increasing productivity through enlarged farm sizes and new markets for farm products and manufactured inputs in the early stage of economic development. However, experience showed many cases of failure in economic take-off in the developing countries due to a variety of reasons.

As the scope of interdependence in the political and economic spheres among the developed and developing nations has expanded, the task

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of agricultural development in each of the countries in the South is likely to depend upon how well the international economic cooperation in a broad sense has been effective among the parties for mutual benefits. Until recently, the issues related to international economic cooperation had primarily been those between the developed and the developing countries. However, the need for closer cooperation between developing nations has been emphasized for economic and rural development as well as for political solidarity. In this regard, we need to better understand the nature of North-South relations and the world economic reality in the context of rural development.

## II. Challenges to Economic and Rural Development in the South

In retrospect, the period since the end of World War II down to 1973 has been an unprecedented golden age for the world economy in terms of growth rate and trade expansion. That is, world industrial production increased at approximately 3.5 percent per annum and world trade also expanded at about 8 percent annually. And world agricultural output grew at nearly 3 percent per annum. The developing countries have also shared in this phenomenal performance. Their annual growth rate of national income averaged 5 percent, or 2.5 percent per capita, which exceeded the growth rates achieved in the nineteenth century or the first half of this century by any of the contemporary industrialized economies. More specifically, industry in the developing countries grew at about 7 percent per annum during this period, but food production increased at less than 3 percent, failing to keep pace with the demand for food which grew at beyond 3 percent due to rapidly growing population and income effects. This food deficit caused or aggravated a series of other problems in the South. Thus many of the developing nations have been faced with the formidable tasks of accelerating industrialization and at the same time meeting the increasing food deficit in the early stage of development. The international economic environment before the energy crisis in 1973 had been relatively favorable for the developing economies in coping with these problems.

Since 1974, the world economy has suffered from a pervasive recession and a concomitant shrinkage in world trade. Consequently, the developing economies have to confront increasing barriers in trade with and the borrowings of capital from the industrialized countries.

We are faced with a situation where in the developed nations technological innovations and material changes are more advanced than most people recognize, whereas in the developing world the expectations and aspirations of many people appear to be ahead of economic reality. There seems to be a lack of clear understanding and will to act upon the changing needs in the global economy on the part of the industrialized

countries. Most of these wealthy nations, even during the unprecedented boom, have not tried hard enough to approximate the minimum aid target, 0.7 percent of national income, to which most of them agreed.

The North or developed nations have provided the South or developing nations with the capital and technical know-how required for an economic breakthrough. However, they have been hesitant to open up their markets for imports of primary and manufactured goods from the South, imports which were very often the products of industries financed by the loans from the North. Development loans will only increase the debt burden on the recipient countries if they are invested to establish industries in those nations without generating the means of repayment. Table 1 indicates that the total of outstanding foreign debt incurred by the South amounted to nearly 600 billion dollars in 1982 and is projected to be more than doubled in 1990. It is readily conceivable that the South has no means for repayment of the foreign debt without earning foreign exchange through expanded trade with the North. In fact, the share of less developed countries in the imports of manufactures by the developed countries was still very small, only 13 percent in 1980. Also, the share of imports of manufactures from the South in the total consumption of the North was estimated at about 3 percent or so. The South has contributed a great deal to the growth of developed economies in many ways (i.e. expanding export markets for high-valued commodities and capital and supplying cheap primary products and low priced manufactures which helped them control inflation). Notwithstanding, the prosperity of the developed economies seems not to depend in any essential way upon the less developed

TABLE 1. NET FINANCIAL FLOWS, ALL DEVELOPING COUNTRIES, 1970-90

Unit: billions of current dollars

Net Financing	1970	1980	1982	Projected, 1990	
				Low	High
Official transfers	1.2	12.1	13.6	28.3	32.7
Private direct investment	2.5	11.8	15.8	19.4	24.4
Medium-and long-term loans, net disbursements	9.1	57.3	81.0	99.2	151.1
Total	12.8	81.2	110.4	146.9	208.2
Total (1980 prices)	32.7	81.2	102.5	82.1	116.3
Net exports (goods & services)	-8.5	-59.1	-75.8	-61.3	-110.0
Current account balance <sup>1)</sup>	-10.9	-75.0	-109.2	-124.5	-182.7
Net official development assistance <sup>2)</sup>	4.1	22.8	25.8	53.6	65.7
Debt outstanding and disbursed	63.7	445.2	597.6	1,287.0	1,450.0

1) Excludes official transfers.

2) Net disbursements of concessional official loans plus official transfers.

Note: Developing countries exclude China.

Source: World Bank, *World Development Report*, 1982.

countries in the times of advanced technology in chemical engineering and micro-processors which could reduce some of their advantages. Thus, the people in the North could comfort themselves with the idea that what is good for the industrialized economies is also beneficial for the developing countries, a sort of international trickle-down philosophy. Some people in the South might follow the same line of thought and wait for a resumption of the economic boom in the North by hoping to reap some trickle-down effects from it. This sort of philosophy, however, seems to be wishful thinking and may lead economic policies and business firm behavior in the wrong directions in the countries concerned. Of course, a series of efforts has been made to stimulate world trade in recent years such as the Kennedy Round and Tokyo Round followed by a series of multilateral trade negotiations. But the discriminative deals against the South's interests have not been remedied yet. For example, the tariff reduction on products of particular interest to the developing countries was only 25 percent as compared with 33 percent on products of particular interest to the developed countries in the Tokyo Round. Furthermore, the acts restricting the imports of manufactures and farm products from the developing nations by the industrialized countries tend to spread in various forms, e.g. comprehensive sets of quota restrictions on the LDCs exports of textiles and clothing under the Multi-Fibre Arrangement. It would be unfair for the LDCs if the mass media in the North continued to refer to the flood of cheap manufactures and farm products imported from the LDCs or the threat from their growing industries because they paid little attention to the North's markets in the LDCs. The developed economies cannot expect an increase in their exports to the developing countries if they do not help them earn more money by selling their products in return.

As a matter of fact, about 60 percent of world exports of the major agricultural and mineral commodities other than petroleum originated from the Third World. Therefore, their national income and foreign earnings exchange are quite sensitive to the quantity exported and terms of trade.

The importance of the roles played by the multi-national corporations in economic development including food industries in the South has often been stressed. Of course, this is partly true, but those countries where the multi-national firms have been active, are found to be very vulnerable to the corporation's trading policies.

Thus we can better understand the background of the new international economic order proposed by the South as an attempt to promote a global solidarity among all peoples and balanced development toward world-wide prosperity.

The UN World Food Council report said in 1979 that about eight hundred millions were estimated to be destitute in the Third World, most

of them cannot afford an adequate diet. The urgent abolition of hunger is a challenge to the global economic system, calling for complementary national and international measures. If world food production does not increase adequately, there is bound to be a repetition of the inflationary surge in world food prices that took place in the early 1970s. The low income groups and the rural poor would be affected most adversely if such a food crisis occurs again. In the 1970s, the per capita grain output in the low-income developing countries declined as shown in Table 2. The same table indicates that per capita grain consumption in the low-income LDCs in the 1970s, which was approximately 60 percent of the world average, has not shown any improvement.

Prior to the food crisis in the early 1970s, many developing countries in their drive for industrialization did not realize the complementary functions of agricultural development and, thus, relatively neglected the rural sector. This was one of the main factors causing rural underdevelopment in many parts of the world. Even today the importance of agriculture and the farmer's partnership in economic development and national welfare is not fully recognized in the arena of policy making in many less-developed nations. It appears that food deficit in the developing countries will increase if the existing trends in production and consumption of food continues. On the other hand, the export capacity of cereals and livestock products has tended to be concentrated in North America, Oceania, Argentina, Brazil and the EEC. Therefore, it is probable that the LDCs' dependence on these food exporting countries for food supply will increase in the future unless effective measures are taken to boost food production

TABLE 2 GRAIN CONSUMPTION AND PRODUCTION PER CAPITA

Unit: Kilograms, percent

	Per Capita Consumption			Per Capita Output
	1970-1973	1976-1979	Annual Growth Rate	Growth Rates, 1970-80
World total	342.8	362.1	0.9	0.5
LDCs	229.7	239.9	0.7	0.4
Low-income	202.7	202.4	0.0	-0.3
Sub-Saharan Africa	151.9	141.3	-1.2	-1.1 <sup>1)</sup>
South Asia	211.8	213.5	0.2	0.0
Middle-income	255.6	275.7	1.3	0.9
Sub-Saharan Africa	150.0	148.5	-0.2	na <sup>2)</sup>
East Asia	271.2	282.7	0.7	na
Latin America	244.0	249.1	0.3	0.6
S. Europe, N. Africa, Middle East	441.0	495.8	2.0	na

1) Africa.

2) Not available.

Source: FAO, quoted from World Bank, *World Development Report*, 1981, 1982.

in the food deficit countries. The poorer countries will need a great deal of external help to increase their food output. However, the official development assistance to agriculture in recent years remained stagnant at the level of nearly ten billion dollars, as shown in Table 3, of which about one-third was estimated to be earmarked for the poorer countries. This level of economic and technical assistance is far less than what is required for significant increases in food production in the low income countries.

If we accept the notion that the prime objective of development is to lead to self-fulfilment and a creative partnership in the use of a nation's productive forces and its full human potential<sup>1</sup>, a series of measures should be taken without delay to help the rural poor and rural women participate in the development process and to improve the rural institutions and infrastructure related to farm productivity and rural well-being.

Because of the nature of the contemporary world economic order and the industrialized nations' policy constraints, the developing nations have to explore more workable strategies for economic growth and rural development and closer cooperation within the South on the basis of mutual interests and a clear understanding of the causes of global problems. These endeavours should be supported morally and practically by the rest of world community.

### III. Cooperation for Rural Development among Developing Countries

There are plenty of opportunities for economic and technical cooperation among developing nations in pursuit of agricultural and rural development.

TABLE 3 OFFICIAL ASSISTANCE (COMMITMENTS) TO AGRICULTURE, 1978-1980  
Unit: million of dollars in 1979 prices

Item	1978	1979	1980
Official development assistance			
DAC*	3,633	4,304	3,773
Multilateral agencies	2,761	2,503	2,969
OPEC	307	243	179
Total	6,701	7,050	6,921
Other official flows			
DAC	403	329	222
Multilateral agencies	3,275	2,319	2,621
OPEC	49	99	48
TOTAL	3,727	2,747	2,891
Grand total	10,428	9,797	9,812

\* The Development Assistance Committee of the OECD.

Source: World Bank, *World Development Report*, 1982.

<sup>1</sup> Independent Commission on International Development Issues, *North-South: A Programme for Survival*, 1980.

In order to explore all opportunities for advance in this international joint venture, there should be sincere efforts to make changes in the psychological and institutional settings of our society. A new international economic order will require men with a new philosophy and broader outlook to make it work, and a process of development in which their full capabilities flourish. A new economic order among developing nations will not be an exception to this rule.

First, joint efforts should be made to expand trade among developing countries and to improve terms of trade for farm products in the international markets. More specifically, the LDCs should consider action to exchange ideas and information on future prospects in individual commodity markets and coordinate national policies, as far as feasible, to avoid any future imbalances in supply and demand in world markets. Also, they are required to consider the development of a horizontal division of labor among the developing economies in some of the export-oriented industries for mutual benefits in world trade.

Secondly, they should facilitate among national institutions the exchange of experiences and expertise obtained in carrying out programs of agricultural and rural development. It should be promoted that the national research agencies exchange ideas and technologies applicable to rural development including those on agriculture, energy, civil engineering, rural industry and other rural infrastructure.

Thirdly, the developing nations should promote inter-country agricultural resource projects such as irrigation and watershed development (e.g. Mekon River Basin Development project) and cooperate in designing, implementing and seeking financial support for such projects.

Fourthly, for food security a joint grain reserve scheme for food emergency cases would be beneficial to all parties. Since 1974 when the World Food Conference was held in Rome, the idea of a global scheme for a food grain reserve has frequently been discussed at a series of international meetings without reaching any consensus. Therefore, development of regional schemes for grain reserve, instead of a global program, would be more acceptable to the countries in each of the geographical regions.

#### IV. Concluding Remarks

The developing nations of Asia and Africa are predicted to be faced with immense problems in making their economies move forward because of increased uncertainty and the rapid development of science and technology. There exist opportunities and the material means to solve problems such as hunger and poverty in the contemporary world. The question is a lack of mutual trust and a spirit of partnership in improving the quality of life among the peoples and nations.

May I quote the statement made by Willy Brandt in his Introduction in *North-South* in concluding my presentation.

The difficult and controversial subjects which divide richer and poorer countries will certainly not be solved by prejudices, nor by wishful thinking. They must be approached with a will to overcome dangerous tensions and to produce significant and useful results for nations and regions—but, first and foremost, for human beings—in all parts of the world.

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